



**House Health Policy Committee
November 28, 2018
Testimony of Michigan Association of Health Plans on
HB 5223 & HB 6435**

Good morning Chairman Vaupel and members of the committee, my name is Christine Shearer, Deputy Director, of Legislation and Advocacy for the Michigan Association of Health Plans. Our association represents 13 health plans serving over 2.5 million Michigan citizens in Medicaid, Medicare and Commercial products and 55 business and limited members.

MAHP supports the concept of drug price transparency legislation. Health plans are required to be transparent as a condition of doing business in Michigan. Health plans must submit quarterly and annual filings that provide detail on their expenditures on health care claims. This aggregate data includes premium income, underwriting gains or losses, net margin and administrative expenses, including the salaries and benefits of the top five most highly compensated employees.

HB 5223 makes the component of drug price costs a matter of record: production, Research & Development, Clinical trial, marketing and advertising, etc. It also provides a track record of the drug cost and any price increases. MAHP has provided additional amendments to the sponsor that we believe will strengthen the bill.

Now I will turn it over to Karen Jonas, MAHP Pharmacists Consultant to address our amendments.

Pharmaceutical advances have brought new life-saving medications for treatment of many diseases. Yet rising costs of prescription drugs threaten the sustainability of health care coverage for patients, employers and health insurers. Recent polling identifies that 78% of Michigan citizens think drug prices are unreasonable.



Prescription drug price inflation has outpaced the Consumer Price Index (CPI) by 150% over the last decade. Drug costs now account for 23% of total health care expenditures (previously 6% in 2006).

Skyrocketing pricing of many drugs such as EpiPen (increasing to \$600 in 2017 from \$57 in 2007) and Naloxone, used for narcotic overdose treatment, (increasing to \$4,500 in 2017 from \$690 in 2014) highlight the need for transparency.

Review of Michigan Medicaid prescription claims from 2016 to 2017 highlights numerous drug price increases; 78 drugs had price increase between 100-999%, and over 280 drugs had price increase between 25-100% during this one year. Commercial prescription claims review for the same year identified 9 drugs with a 100% increase in price (the highest price increase noted at 363% and 58 drugs reported price increases between 25-100%).

Often drug research and development is cited as the reason for the high cost of drugs. However, when significant price increases occur on medications currently in the market, this cost increase is not due to research and development but is anticompetitive and in some cases price gouging.

We believe several amendments should be considered for both HB 5223 Drug Price Transparency and HB 6435 the PBM legislation.

- For HB 5223 (Drug Price Transparency legislation), an amendment is necessary to strengthen the objective of the bill for drug price reporting, particularly the need to include all drugs not just those over \$10,000 in cost. Drug companies would not have had to report reasoning behind the skyrocketed cost increases seen for EpiPen, Naloxone and other drugs such as insulin if \$10,000 remains as the reporting level.



The Trump administration recently proposed rules that would require drug manufacturers to disclose in TV advertising the price of any drug that costs more than \$35 a month. We believe the Committee should support an amendment to HB 5223 that mimic the federal drug reporting threshold of “a list price of a drug at \$35 a month for a 30-days supply.”

- For HB 6435 (PBM legislation), we are requesting two amendments. The first, to support an amendment removing language throughout the bill requiring reporting of drug manufacturer rebates. Rebate reporting language was removed from the original bill in HB 223 H-1 sub, therefore, deemed immaterial, hence we encourage the Committee to support an amendment removing the reporting of drug rebates from the PBM legislation HB 6435.

Second, we request the Committee support an amendment in HB 6435 that would modify the pharmacy gag clause language to mimic existing federal statute which was signed in to law on October 10, 2018, with the passage of the Pharmacy Right to Know Drug Prices Act (S2554)115-263.

Thank you for considering our comments and we ask for your support of these bills with the recommended amendments.



Proposed amendments to HB 5223 – Drug Price Transparency

Proposed change to HB 5223 H-1 sub: To change the language throughout the bill referencing the wholesale acquisition price to **“THE LIST PRICE OF A DRUG FOR A 30-DAY SUPPLY”** and to start the cost threshold for reporting at **“35 A MONTH”**.

Rationale: Matches requirement for drug companies to list prices in drug advertisements under Trump administration proposal.

Page 1- (1)(B) The prescription drug has a list price at least \$35 a month for a 30-day supply.

Page 1 – (1)(C) - delete

Page 1 – (1)(D) The prescription drug list price for a 30-day supply has increased by a total of 25% or more during the five years immediately preceding the calendar year covered by the report or by 5% or more the preceding calendar year

Page 3 – (3)(A) Each increase in the list price for a 30-day supply of the prescription drug for that year, expressed as a percentage, and the date on which each increase occurred.



Proposed amendment to HB 6435 – PBM Legislation for Consideration

Rationale: To have the pharmacy gag clause mimic existing federal statute as was passed in the Pharmacy Right to Know Drug Prices Act (S2554) signed into law 10/10/2018 as Public Act 115-263 <https://www.congress.gov/bill/115th-congress/senate-bill/2554/text>

Change existing language for Sec. 27 (A) (i) on page 7 to:

not restrict, directly or indirectly, any pharmacy that dispenses a prescription drug to an enrollee in the plan or coverage from informing (or penalize such pharmacy for informing) an enrollee of any differential between the enrollee's out-of-pocket cost under the plan or coverage with respect to acquisition of the drug and the amount an individual would pay for acquisition of the drug without using any health plan or health insurance coverage; and

“ensure that any entity that provides pharmacy benefits management services under a contract with any such health plan or health insurance coverage does not, with respect to such plan or coverage, restrict, directly or indirectly, a pharmacy that dispenses a prescription drug from informing (or penalize such pharmacy for informing) an enrollee of any differential between the enrollee's out-of-pocket cost under the plan or coverage with respect to acquisition of the drug and the amount an individual would pay for acquisition of the drug without using any health plan or health insurance coverage.



Proposed amendment to HB 6435 – PBM Legislation for Consideration

Rationale: All references to drug manufacturer reporting of drug rebates was removed from the H-1 sub for HB 5223 Drug Price Transparency legislation, therefore deemed immaterial, it should also be removed from HB 6435 the PBM legislation.

Delete all language under Section 26 starting on page 4 line 9 through page 6 line 26.

1

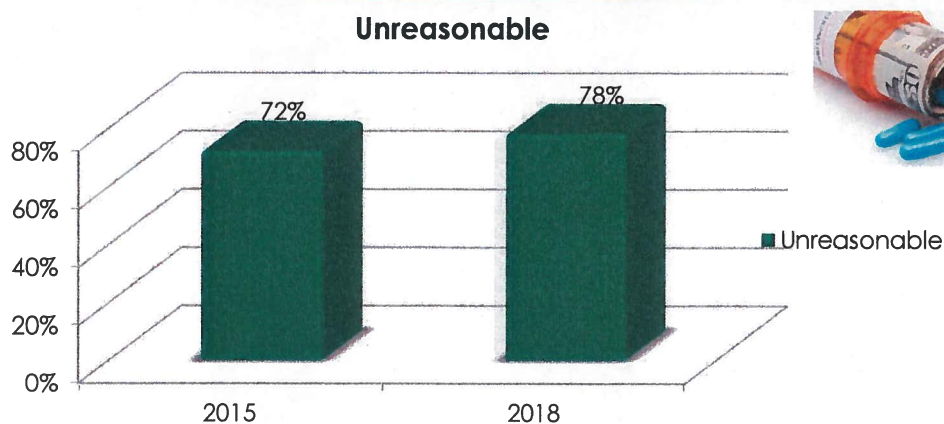
Prescription Price Transparency Legislation – HB 5223 and Pharmacy Benefits Managers (PBM) Legislation – HB 6435

NOV - 2018



2

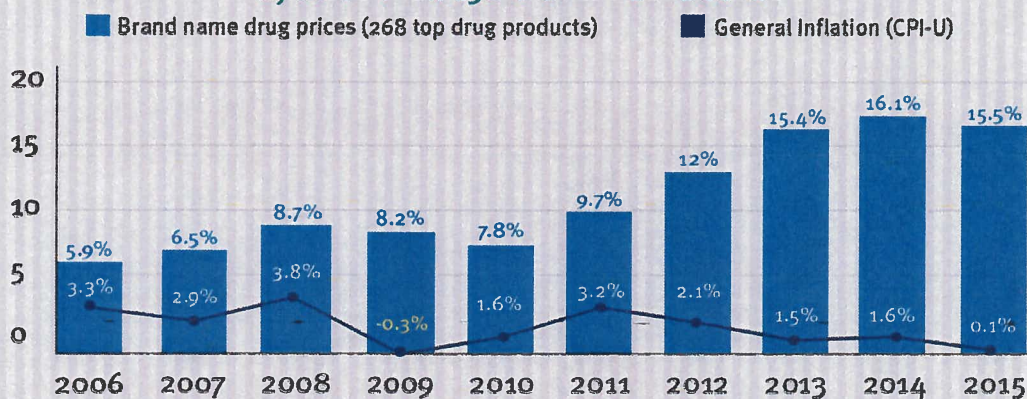
Michigan Viewpoint on Cost of Prescription Drugs ... If Reasonable or Unreasonable?



Mitchell Research & Communications – Michigan Statewide Poll, April 2018

3

Prescription Drug Price Inflation Outpaces Consumer Price Inflation by More Than 150% Over Past Decade



<https://www.aarp.org/content/dam/aarp/ppi/2016-12/trends-in-retail-prices-dec-2016.pdf>

4

Growth in Prescription Drug Expenditures Far Outpace Other Categories in Health Care



¹<https://healthpayerintelligence.com/news/prescription-drugs-account-for-22-of-payer-premium-spending>

5

Skyrocketed Drug Prices – Examples

Allergic Reaction Medication



EpiPen (Mylan)
rose to **\$600** in 2017
from \$57 in 2007

Cancer treatment drug



Gleevac rose to
\$146,000 from
\$26,000 in 2001

Insulin product
Humulin R **jumped**
to **\$15,869**
a year in 2015
from \$2,487
per-year, a
\$13,373 increase



Narcotic overdose
treatment Naloxone
rose to **\$4,500**
in 2017 from from
\$690 in 2014



Medicaid Drug Spending – FFS (2016-2017)

6

Drug Name	2016 Units	2017 Units	2016 Reimbursement	2017 Reimbursement	2016 Cost Per Unit	2017 Cost Per Unit	Change in Cost per Unit (13% Avg)
TYSABRI	225	89	\$ 355,564.34	\$ 203,895.54	\$1,580.29	\$2,290.96	45%
AVONEX PEN	108	76	\$ 153,396.95	\$ 121,710.25	\$1,420.34	\$1,601.45	13%
NORDITROPI	222	256.5	\$ 49,666.67	\$ 122,608.58	\$223.72	\$478.01	114%
BYETTA	91.2	100.8	\$ 20,092.93	\$ 24,235.81	\$220.32	\$240.43	9%
TUDORZA PR	44	14	\$ 8,942.43	\$ 3,169.49	\$203.24	\$226.39	11%
GILENYA	660	600	\$ 110,850.05	\$ 128,805.02	\$167.95	\$214.68	28%
RAVICTI	3900	5600	\$ 578,693.43	\$ 922,225.82	\$148.38	\$164.68	11%
TEFLARO	67	247	\$ 8,348.27	\$ 39,194.36	\$124.60	\$158.68	27%
BYDUREON P	372	528	\$ 42,792.77	\$ 72,615.65	\$115.03	\$137.53	20%
GENOTROPIN	203	94	\$ 2,126.64	\$ 8,902.70	\$10.48	\$94.71	804%
MEDROXYPRO	144,048	139,049	\$ 9,553.33	\$ 11,277.53	\$66.32	\$81.10	22%
VICTOZA 3-	1026	1002	\$ 41,158.26	\$ 49,601.58	\$40.12	\$49.50	23%
VANCOMYCIN	23.67	67.65	\$ 1,044.66	\$ 3,278.25	\$44.13	\$48.46	10%
SPIRIVA RE	212	216	\$ 7,151.11	\$ 8,121.84	\$33.73	\$37.60	11%
HUMULIN 70	495	1263	\$ 12,049.99	\$ 36,825.75	\$24.34	\$29.16	20%
TOUJEO SOL	737.5	674.5	\$ 16,408.74	\$ 19,644.09	\$22.25	\$29.12	31%
APIDRA SOL	606	1077	\$ 10,810.00	\$ 29,717.77	\$17.84	\$27.59	55%
HUMALOG MI	3189	1080	\$ 75,622.86	\$ 29,488.36	\$23.71	\$27.30	15%

Source: Data.Medicaid.Gov – 2016, 2017 State Drug Utilization Data

Medicaid Drug Spending – MCO (2016-2017) ⁷

Drug Name	2016 Units	2017 Units	2016		2017		2016 Cost per		2017 Cost		Change in Cost
			Reimbursement	Unit	Reimbursement	Unit	Unit	per Unit	per Unit	per Unit	
EXTAVIA	435	525	\$ 150,349.49		\$ 204,690.29		\$345.63		\$389.89		13%
LETAIRIS	2033	960	\$ 561,506.56		\$ 276,879.78		\$276.20		\$288.42		4%
OPSUMIT	1335	1625	\$ 338,506.47		\$ 448,982.71		\$253.56		\$276.30		9%
GLUCAGEN	41	39	\$ 8,432.14		\$ 10,085.97		\$205.66		\$258.61		26%
SUMATRIPTA	97	90	\$ 12,668.71		\$ 12,871.15		\$130.61		\$143.01		10%
EXIADE	3325	1052	\$ 413,777.52		\$ 147,838.51		\$124.44		\$140.53		13%
EPOGEN	62.5	65.75	\$ 3,112.31		\$ 3,741.98		\$49.80		\$56.91		14%
RELPAK	509	467	\$ 24,354.18		\$ 24,322.10		\$47.85		\$52.08		9%
STRIVERDI	184	128	\$ 7,179.74		\$ 5,831.99		\$39.02		\$45.56		17%
EPOGEN	217,206	37.7	\$ 7,721.88		\$ 1,499.74		\$35.55		\$39.78		12%
TRISENOX	400	1120	\$ 12,411.93		\$ 37,968.00		\$31.03		\$33.90		9%
BACITRACIN	381.5	483.4	\$ 6,711.98		\$ 12,260.79		\$17.59		\$25.36		44%
NUEDEXTA	7146	4560	\$ 83,410.57		\$ 57,214.73		\$11.67		\$12.55		7%
MYRBETRIQ	3808	4644	\$ 36,436.89		\$ 49,891.44		\$9.57		\$10.74		12%
FENTANYL	4939	1673	\$ 46,028.02		\$ 16,701.82		\$9.32		\$9.98		7%
INCRUSE-EL	287	166	\$ 2,617.64		\$ 1,658.59		\$9.12		\$9.99		10%
VANCOMYCIN	425.5	67	\$ 3,688.78		\$ 716.11		\$8.67		\$10.69		23%
CHANTIX	154847	249330	\$ 891,821.84		\$ 1,622,741.74		\$5.76		\$6.51		13%
ZENPEP	27330	29290	\$ 137,746.73		\$ 161,309.52		\$5.04		\$5.51		9%
TRETINOIN	1660	1520	\$ 6,471.10		\$ 7,897.90		\$3.90		\$5.20		33%

Source: Data.Medicaid.Gov – 2016, 2017 State Drug Utilization Data



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